



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

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March 20, 1998

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

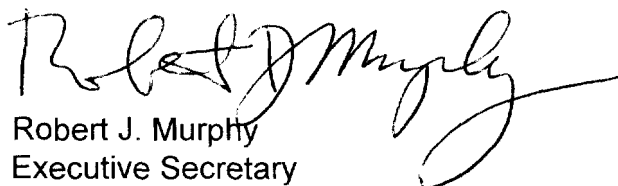
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MAR 23 1998
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Re: CC Docket No. 98-5, Petition of LCI International Telecom Corp for Expedited Declaratory Rulings

Attached please find the comments of the Connecticut Department of Public Utility Control (CTDPUC) concerning the January 22, 1998 LCI International Telecom Corporation petition for Declaratory Ruling concerning Bell Operating Company entry into in-region long distance markets. In an effort to conserve paper, a copy of the June 25, 1997 Decision in Docket No. 94-10-05, DPUC Investigation of the Southern New England Telephone Company Affiliate Matters Associated with the Implementation of Public Act 94-83, has been attached to this cover letter, while a copy of the Executive Summary from that Decision has been attached to CTDPUC's comments.

Sincerely,

DEPARTMENT OF PUBLIC UTILITY CONTROL


Robert J. Murphy
Executive Secretary

attachment

cc: Janice M. Myles
FCC Common Carrier Bureau
Room 544
1919 M Street, N.W.
Washington, D.C. 20554

No. of Copies rec'd 0213
List A B C D E

I. Executive Summary

In response to a Procedural Order issued in this docket, the Southern New England Telecommunications Corporation (SNET) submitted to the Department of Public Utility Control (Department) a proposed plan of reorganization. The plan proposes to realign operations of SNET and its largest subsidiary, the Southern New England Telephone Company (Telco), to execute SNET's business strategy and better serve the needs of its principal customers. Specifically, SNET proposes to:

- separate retail and wholesale business units that currently reside within the common corporate structure of the Southern New England Telephone Company (Telco);
- transfer all of the Telco's retail operations and retail customers to the Telco's competitive local exchange carrier (CLEC) affiliate, SNET America Inc. (SAI), and discontinue the Telco's retail offerings;
- empower SAI to offer to all end users, on a statewide basis, a variety of services, including local services, intrastate services, interstate services, international calling and a number of enhanced services;
- operate SAI as a CLEC subject to the same state and federal regulatory requirements imposed upon other CLECs;
- continue to operate the Telco as a telephone company / public service company for purposes of Connecticut law;
- restrict the business purpose of the Telco to meeting the needs of CLECs and other wholesale customers;
- maintain ownership and operational control of all distribution plant and core network infrastructure in the Telco, subject to all requirements of state and federal law;
- continue to operate the Telco in accord with the Department's March 13, 1996 Decision in Docket No. 95-03-01 and as an incumbent local exchange carrier (ILEC) under federal law;
- introduce Telco wholesale service tariffs, priced initially at retail minus avoided cost, for all existing Telco service offerings consistent with current federal pricing standards;
- price new wholesale services offered by the Telco at TSLRIC plus a contribution to SNET's overhead;
- preserve Telco tariffs for intrastate access, interstate access and unbundled network elements previously approved by the Department; and
- conduct all business transactions between SAI and the Telco in accordance with Parts 32 and 64 of FCC regulations as amended by the 1996 Federal Act.

In this Decision, the Department approves the proposed plan of reorganization, but makes several important modifications intended to promote competition and protect the public interest in an increasingly competitive market. Specifically, the Department will not permit any transfer or assignment (as proposed by SNET) to SAI of the Telco's retail customers. Rather, the Department will conduct an impartial election process in 1998 to permit business and residential subscribers adequate opportunity to exercise their choice of retail service providers. To that end, on or before September 1, 1997, the Department will select a program administrator to manage the election process.

Such process, or balloting, will be conducted by Modified Labor Market Areas (MLMAs) as defined by the Department in Docket No. 94-07-03, DPUC Review of Procedures Regarding the Certification of Telecommunications Companies and of Procedures Regarding Requests by Certified Telecommunications Companies to Expand Authority Granted in Certificates of Public Convenience and Necessity. The balloting will commence in the first MLMA on March 1, 1998 and will extend to the remaining MLMAs at four week intervals until the entire service area of the Telco is covered. Each current Telco customer will be mailed a ballot and will be given four weeks to make an affirmative selection and return the ballot by mail to the program administrator. Any subscriber failing to elect a retail provider in the given timeframe will be randomly assigned by the administrator to a qualified retail provider authorized to provide local service in the subscriber's MLMA. Assignment by the administrator of default subscribers to any particular provider will be in direct proportion to the percentage of eligible subscribers in the relevant MLMA that have affirmatively selected that firm to be their retail provider. Each subscriber will be provided by mail positive confirmation of the selection within two weeks of the ballot deadline. Each subscriber who fails to make an affirmative selection will be notified of the retail provider to which the subscriber has been assigned. Each subscriber for whom random assignment is made will then have two weeks to change that assignment. Subsequent to the close of the election process, any subscriber requesting a change in their designated retail provider may be subject to, a nominal fee for any administrative costs incurred by the CLECs in satisfying the customer's request.

In this Decision, the Department also modifies the proposed structural relationship between the Telco and SAI in order to protect the public's interest in full and fair competition. Specifically, the Department limits the flow of information from the Telco to SAI to only that information required for management of the retail subscriber function, and requires that the same type of information be made available to other CLECs, on the same terms and conditions .

Additionally, in this Decision, the Department adopts many of the structural and transactional standards set forth in the Telecommunications Act of

1996 and the Federal Communications Commission's implementation of that legislation requiring that dealings between the Telco and SAI meet those standards. Specifically, the Department requires that SAI:

- operate independently from the Telco;
- maintain books, records, and accounts in the manner prescribed by the Department and separate from the books, records, and accounts maintained by the Telco;
- have separate officers, directors, and employees from those of the Telco;
- not enter into any credit arrangement which permits a creditor, upon default, to have recourse upon the assets of the Telco; and
- conduct all transactions with the Telco on an arm's length basis with all such transactions reduced to writing and available for public inspection.

Furthermore, the Telco must:

- not discriminate between any affiliate business unit of the Telco and any nonaffiliate entity in the provision, procurement or price of goods, services, facilities and information, or in the establishment of performance standards;
- account for all transactions with any affiliate business unit in accordance with accounting principles previously adopted or approved by the Department;
- fulfill any bona fide request from an unaffiliated entity for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or to its affiliates;
- not provide any facilities, services or information concerning its provision of facilities and/or services to any CLEC affiliate entity unless such facilities, services or information are made available to other CLEC providers in the Connecticut market on the same terms and conditions;
- charge any CLEC affiliate, or impute to itself (if using the access for provision of its own services), a monetary sum for providing access to its telephone exchange services and exchange access services that is no less than the monetary sum charged to any unaffiliated CLEC for such service;
- provide any facilities, services or information concerning its provision of such facilities and/or services to all CLEC providers at the same rates and on the same terms and conditions with costs properly allocated among interested affiliated and nonaffiliated entities; and
- not engage in marketing and/or sales of facilities, services or information offered by any CLEC affiliate as either a fulfillment agent, joint representative or partner.

Finally, the Department explicitly states that any intentional action taken

by the Telco that would reduce the number of wholesale offerings to CLECs and stifle CLECs' competitive initiatives would be sufficient cause for the Department to immediately reexamine SNET's reorganization and to take actions necessary to restore competitive balance in the market.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

RECEIVED
MAR 23 1998
FCC WASHINGTON

In the Matter of)

Petition of LCI Telecom Corp.)
for Declaratory Rulings)

CC Docket No. 98-5

PETITION OF LCI INTERNATIONAL TELECOM CORP
FOR EXPEDITED DECLARATORY RULINGS

COMMENTS OF THE CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

March 20, 1998

I. INTRODUCTION

In response to the Federal Communications Commission's (Commission) January 26, 1998 Request for Comments concerning the LCI International Telecom Corporation (LCI) petition for expedited ruling concerning its A "Fast Track" Plan to Expedite Residential Local Competition and Section 271 Entry Through Establishment of Independent RBOC Wholesale and Retail Service Companies (Petition), the Connecticut Department of Public Utility Control (CTDPUC) submits the following comments. CTDPUC believes that as proposed, LCI's Fast Track plan severely limits both the usefulness of the LCI model for the RBOCs and the probability that they would accept this model as a Section 271 "condition." As a means of promoting local competition, CTDPUC suggests that the wholesale/retail separation operational model approved in June 1997 involving the Southern New England Telecommunications Corporation's reorganization and its affiliate, the Southern New England Telephone Company (Telco) be considered as an alternative model.¹ Approval of that model accomplished the same ends as the LCI proposal with far fewer conditions that could be considered controversial or contestable. A copy of the Executive Summary of the June 25, 1997 Decision in Docket No. 94-10-05 is appended hereto as Attachment 1.

¹ See the June 25, 1997 Decision, Docket No. 94-10-05, DPUC Investigation of the Southern New England Telephone Company Affiliate Matters Associated with the Implementation of Public Act 94-83.

II. LCI FAST TRACK PLAN

A. OSS, UNEs and Pricing

CTDPUC has substantial experience² relative to the three critical barriers (i.e., OSS, unbundled network elements (UNE) and pricing) noted by LCI in its Petition, pp. 5-11. Similar to the underlying rationale used by LCI in forming its Petition, it was these very same issues that formed the basis of the SNET/Telco reorganization.³

LCI's argument concerning the fundamental problem in OSS parity (Petition, pp. 6 and 7), ignores the fact that RBOCs and other incumbent local exchange carriers have expended millions of dollars and years to construct OSSs to not only process service orders, but to support day-to-day company operations. To require a simple and immediate separation of these complex systems goes well beyond what is required by the Telecommunications Act of 1996 (Telcom Act).

Additionally, since initiation of Docket No. 97-08-06, DPUC Investigation into the Southern New England Telephone Company's

² See for example, Docket No. 97-08-06, DPUC Investigation into the Southern New England Telephone Company's Operational Support Systems, the April 23, 1997 Decision in Docket No. 96-09-22, DPUC Investigation into the Southern New England Telephone Company's Unbundled Loops, Ports and Associated Interconnection Arrangements and Universal Service Fund in Light of the Telecommunications Act of 1996, the March 25, 1997 Decision in Docket No. 95-06-17, Application of the Southern New England Telephone Company for Approval to Offer Unbundled Loops, Ports and Associated Interconnection Arrangements, and the March 25, 1997 Decision in Docket No. 95-11-08, Application of the Southern New England Telephone Company for Approval to Offer Interconnection Services and Other Related Items Associated with the Company's Local Exchange Access Tariff.

³ June 25, 1997 Decision, Docket No. 94-10-05, pp. 10-18.

Operational Support Systems, CTDPUc and the parties to that proceeding have expended, and continue to expend countless hours and resources addressing the OSS issue. LCI's states that:

The fundamental problem in OSS parity is that the RBOCs use internal, well established OSS to provision their own customers, while CLEC competitors must use new, fragile, slow and still largely manual OSS interfaces.⁴

CTDPUC disagrees. In the recent February 25, 1998 Draft Decision in Docket No. 97-08-06, CTDPUc determined that the Telco's current complement of mechanized and manual interfaces (Mechanized System Access Platform, Customer Information Window and Electronic Forms) would provide all certified local exchange carriers (CLEC) with sufficient ability to process orders with the Telco. In that Decision, CTDPUc also indicated its support of the Telco's proposal to offer those interfaces.⁵

CTDPUC also questions why LCI has required as part of its Petition, that ServeCo not be permitted to provide interLATA service to NetCo customers until its OSS systems and support network element combinations are capable of processing the same volumes of customer transfers at the same time intervals as the PIC-change systems. Petition, pp. 19 and 20. The development of such a system would require the Bell

⁴ Petition, pp. 6 and 7.

⁵ Draft Decision, Docket No. 97-08-06, p. 43.

Operating Company (BOC) to incur significant costs for an operating support system when expected service volumes may never materialize. Additionally, based on its investigation in Docket No. 97-08-06, CTDPU has found that local service orders are often much more complex as a result of the many more options and variations associated with the offering of local service than with PIC changes. PIC changes differ from local service order changes because they are for the most part, completely automated and consist of simple computer changes updating customer/carrier information. Consequently, requiring the same (PIC/local service) time performance interval would, in CTDPU's opinion, be a waste of resources and most likely never be achieved.

Finally, before customer balloting is conducted and allocation of the BOC existing retail customer base implemented, the BOC should be able to satisfactorily demonstrate, that on an equitable basis, its OSSs (which will be used by all CLECs including the RBOC's affiliated CLEC) are operational. Specifically, the BOCs must be able to certify and satisfactorily demonstrate that any features, information and capabilities afforded by their OSS are available for use by all CLECs.

B. Corporate Structure

One component of the LCI Fast Track plan that may limit the usefulness of its reorganization proposal is LCI's proposal for a minimum of 40% public ownership of the retail operation arm, ServeCo. The tax effects of public ownership of 40% are extremely significant because

consolidated tax filings would no longer be permitted under the LCI proposal, and ServeCo would experience a 34% federal tax on net income in addition to the same tax rate on any retail earnings that flow up to the parent holding company, HoldCo. Few, if any, companies would consider this an acceptable price to pay for entry into the long distance market.

Additionally, since ServeCo would be required to compensate the parent holding company for the cost of debt associated with all plant and facilities that would be transferred to ServeCo, any payback would most likely be at a higher cost because of the lack of established track record of the new retail company and greater competitive risk in the marketplace. The new company would also have no recourse when faced with these higher costs. Similar to the 40% public ownership requirement noted above, few, if any companies would deem this acceptable as a means of entering the interLATA toll market.

Further, LCI's requirement that ServeCo have independent board members represent the interests of the public shareholders (Petition, p. 17 and Footnote 23), seems to indicate that ServeCo directors could have no financial interest in NetCo or HoldCo, including stock ownership. Since the LCI Petition would allow HoldCo to possess as much as 60% ownership in ServeCo, it is difficult to envision how a board of directors could meet its fiduciary responsibilities over a subsidiary business unit in

which it has no board representation. Most holding companies require that their board members own stock, which under the LCI proposal, would immediately disqualify them from a seat on ServeCo, even though they represent the majority owner. Further clarification by LCI is necessary.

CTDPUC also questions LCI's proposal that Section 272 separations would apply.⁶ Petition, p. 18. LCI's 40% proposal is an extensive departure from past FCC subsidiary requirements and demands further justification than what was initially presented in the Petition. Why should Section 272 separation requirements apply if 40% or more of the company is publicly owned? Is the 40% requirement sufficient? If this is to be a viable proposal, it cannot be loaded with so many rules and prohibitions that it would never receive serious consideration by a RBOC.

C. Role of NetCo

Under LCI's proposal, NetCo's embedded base of customers would be assigned to competing CLECs (including ServeCo) through balloting and allocation at a time to be determined by state utility commissions. Petition, p. 18. Until such time as NetCo leaves the retail market, its presence in that market could create an untenable conflict between NetCo and ServeCo, both serving the same retail market. In order for this

⁶ Similarly, LCI goes into great detail on pages 37-40 of the Petition discussing how the FCC has mandated subsidiary/structural separations in the past to allow new activities by the ILECs. While it was sufficient to do so then (which apparently continues to be adequate at this time), why does LCI's Fast Track Plan require a divestiture of at least 40% to insure the safety of the CLECs from internal dealings and conflict of interest?

proposal to work, a specific deadline and withdrawal conditions must be established for NetCo to cease providing all retail services.

CTDPUC also questions why NetCo would continue to maintain ownership and control of an extensive list of assets as well as perform billing and collection. Petition, p. 18. Under the LCI proposal, NetCo will not be providing retail service. Why then should participating RBOCs be required to keep (and not share) billing and collection when ServeCo is the entity which would be providing retail service and need those specific functions?

D. Role of ServeCo

LCI proposes that ServeCo be permitted to offer all the services of a CLEC. Petition, p. 19. Since ServeCo must offer access and interconnection, how does ServeCo intend to offer these functions if it will only be offering service through resale with no facilities of its own? This is a classic case of asymmetric regulation of CLECs, depending on its parent or affiliate ownership.

E. The Electric Utility Industry Analogy

A comparison of LCI's Fast Track plan to electric restructuring (Petition, p. 35) indicates a fundamental misunderstanding of the differences between the electric and telecommunications industries. In electric restructuring, all aspects are within the control of a single state, at the legislative and at the utility regulatory commission levels. The issues presented in the LCI Petition affect both the state jurisdiction (ILEC

separation and CLEC entry into the local market) and the federal jurisdiction (§271 entry approval for a BOC) with no link between them. Under the Telcom Act, the Commission may not use this proposal as an a priori approval for a §271 application; however, it is very unlikely that a BOC would agree to LCI's proposed conditions, without a high degree of certainty that its request for long distance entry would be granted. In electric restructuring, the state legislature could mandate divestiture and the utility regulatory commission could implement that law, all within one jurisdiction and with certainty as to what is gained and lost.

F. Miscellaneous

Of notable absence from the LCI Fast Track plan was the requirement that the BOC release all its current subscribers from special service contracts, custom service arrangements, special assemblies and/or other nontariffed noncompetitive service offerings. As part of the SNET/Telco reorganization plan adopted by CTDPUC, the Telco was required to release all its current subscribers from various noncompetitive service arrangements. If the LCI proposal is to be adopted, CTDPUC recommends that a similar "Fresh Look" process be incorporated into the LCI Fast Track plan.

III. CONCLUSION

LCI has proposed a plan to bring competition to the local exchange market. As proposed, LCI's Fast Track plan severely limits the usefulness of the LCI model by imposing certain controversial conditions and

requirements thereby limiting serious consideration by the BOC's. In the alternative, CTDPUc recommends that the Commission seriously consider the SNET/Telco reorganization as a model to "jump start" competition in the local market.

Respectfully submitted,

Donald W. Downes
Chairman

Glenn Arthur
Vice-Chairman

Jack R. Goldberg
Commissioner

John W. Betkoski, III
Commissioner

Linda Kelly Arnold
Commissioner

March 20, 1998

Connecticut Department of
Public Utility Control
Ten Franklin Square
New Britain, CT 06051



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 94-10-05 DPUC INVESTIGATION OF THE SOUTHERN NEW
ENGLAND TELEPHONE COMPANY AFFILIATE
MATTERS ASSOCIATED WITH THE IMPLEMENTATION
OF PUBLIC ACT 94-83

June 25, 1997

By the following Commissioners:

Thomas M. Benedict
Jack R. Goldberg
Janet Polinsky

DECISION

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DECISION

I. EXECUTIVE SUMMARY

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Finally, the Department explicitly states that any intentional action taken by the Telco that would reduce the number of wholesale offerings to CLECs and stifle CLECs' competitive initiatives would be sufficient cause for the Department to immediately reexamine SNET's reorganization and to take actions necessary to restore competitive balance in the market.

II. PARTIES AND INTERVENORS

The Department recognized as parties in this proceeding: the Southern New England Telephone Company (Telco), 227 Church Street, New Haven, Connecticut 06510; the Southern New England Telecommunications Corporation (SNET), 227 Church Street, New Haven, Connecticut 06510; Office of Consumer Counsel (OCC), Ten Franklin Square, New Britain, Connecticut 06051; AT&T Communications of New England (AT&T), 32 Avenue of the Americas, New York, New York 10013; MCI Telecommunications Corporation (MCI), Five International Drive, Rye Brook, New York 01573, MFS Intelenet of Connecticut, Inc. (MFS) 6 Century Drive, Suite 300, Parsippany, New Jersey 07054; New York Telephone Company (NYTel), 1095 Avenue of the Americas, New York, New York 10036; New England Cable Television Association (NECTA), c/o Ottenberg Dunkless & Mandl, 260 Franklin Street, Boston,

Massachusetts 02110. The Department also recognized Cablevision Lightpath-CT as an intervenor to this proceeding.

III. DOCKET HISTORY AND CONDUCT OF THE PROCEEDING

A. BACKGROUND

On July 1, 1994, Public Act 94-83, "An Act Implementing The Recommendations of The Telecommunications Task Force" (the Public Act or Act), became Connecticut law. The Act was a broad strategic response to the changes facing the telecommunications industry in Connecticut. At the core of the Public Act are the principles and goals articulated therein. Section 2 (a) of the Act provides in pertinent part:

Due to the following: affordable, high quality telecommunications services that meet the needs of individuals and businesses in the state are necessary and vital to the welfare and development of our society; the efficient provision of modern telecommunications services by multiple providers will promote economic development in the state; expanded employment opportunities for residents of the state in the provision of telecommunications services benefit the society and economy of the state; and advanced telecommunications services enhance the delivery of services by public and not-for-profit institutions, it is, therefore, the goal of the state to (1) ensure the universal availability and accessibility of high quality, affordable telecommunications services to all residents and businesses in the state, (2) promote the development of effective competition as a means of providing customers with the widest possible choice of services, (3) utilize forms of regulation commensurate with the level of competition in the relevant telecommunications service market, (4) facilitate the efficient development and deployment of an advanced telecommunications infrastructure, including open networks with maximum interoperability and interconnectivity, (5) encourage shared use of existing facilities and cooperative development of new facilities where legally possible, and technically and economically feasible, and (6) ensure that providers of telecommunications services in the state provide high quality customer service and high quality technical service.

Conn. Gen. Stat. § 16-247a(a).

The central premise of the legislation is that broader participation in the Connecticut telecommunications market will be more beneficial to the public than will broader regulation. It is significant, however, that the legislature recognized that services historically offered by a single provider would not become subject to effective competition simply by passage of legislation removing statutory barriers to competition. The legislature thus entrusted the Department with the responsibility of defining a path to a competitive telecommunications market and managing the transition to competition. Therefore, upon passage of Public Act 94-83, the Department set forth a framework to

implement the legislation. Pursuant to that implementation framework, over the past three years, the Department has orchestrated an orderly transition to competition in Connecticut's telecommunications markets.

B. IMPLEMENTATION OF PUBLIC ACT 94-83

The Department commenced formal implementation of Public Act 94-83 on July 1, 1994. The Department's investigative efforts have spanned four issue areas: 1) conceptual infrastructure, 2) competition, 3) alternative regulation and 4) holding company affiliate structure. The following discussion briefly covers the dockets and subject matters contained in each phase.

The Conceptual Infrastructure Phase consisted of Docket No. 94-07-01, The Vision For Connecticut's Telecommunications Infrastructure, in which a Decision was issued on November 1, 1994. The Department initiated that docket in recognition of the fact that effective and efficient implementation of Public Act 94-83 required at the outset an investigation of the state's telecommunications infrastructure that serves as the foundation for the provision of all telecommunications services. In its Decision, the Department identified the attributes required of any future infrastructure to achieve the Act's goals, articulated intended Department initiatives to facilitate the development of a future infrastructure that exhibits those identified attributes, and identified issues to be more fully explored in subsequent implementation dockets.

For the Competition Phase, in July of 1994, the Department initiated eight highly focused, limited discovery dockets to address specific issues raised by the legislature's commitment to broader market participation in Connecticut: Docket No. 94-07-02, Development of the Assumptions, Tests, Analysis, and Review to Govern Telecommunications Service Reclassifications in Light of the 8 Criteria Set Forth in Section 6 of Public Act 94-83; Docket No. 94-07-03, DPUC Review of Procedures Regarding the Certification of Telecommunications Companies and of Procedures Regarding Requests by Certified Telecommunications Companies to Expand Authority Granted in Certificates of Public Convenience and Necessity; Docket No. 94-07-04, DPUC Investigation into the Competitive Provision of Local Exchange Service in Connecticut; Docket No. 94-07-05, DPUC Investigation into the Competitive Provision of Customer Owned Coin Operated Telephone Service in Connecticut; Docket No. 94-07-06, DPUC Investigation into the Competitive Provision of Alternative Operator Service in Connecticut; Docket No. 94-07-07, DPUC Investigation of Local Service Options, Including Basic Telecommunications Service Policy Issues and the Definition and Components of Basic Telecommunications Service; Docket No. 94-07-08, DPUC Exploration of Universal Service Policy Issues; and Docket No. 94-07-09, DPUC Exploration of the Lifeline Program Policy Issues. Those proceedings have been completed and Final Decisions issued by the Department serve as the principal regulatory framework governing the telecommunications market in Connecticut.

Separate from the Competition Phase and the Alternative Regulation Phase, which were conducted concurrently, the Department initiated individual investigations of each of the state's incumbent telephone companies' (local exchange carriers (LECs))

costs of providing telecommunications services for the purpose of constructing a financial and procedural framework for use by the Department in evaluating the telephone companies' pricing of unbundled network elements and wholesale basic local service as well as other pricing initiatives. Docket No. 94-10-01, DPUC Investigation into The Southern New England Telephone Company's Cost of Providing Service (Final Decision issued on June 15, 1995); Docket No. 94-11-02, DPUC Investigation into the New York Telephone Company's Cost of Providing Service; and Docket No. 94-11-05, DPUC Investigation into the Woodbury Telephone Company's Cost of Providing Service.

With similar intent, the Department initiated individual companion dockets to review each local exchange carrier's depreciation policies and accounting practices: Docket No. 94-10-03, DPUC Investigation into The Southern New England Telephone Company's Intrastate Depreciation Rates (Final Decision issued on November 21, 1995); Docket No. 94-11-04, DPUC Investigation into The New York Telephone Company's Intrastate Depreciation Rates; and Docket No. 94-11-07, DPUC Investigation into The Woodbury Telephone Company's Intrastate Depreciation Rates. The detailed financial reviews were deemed essential to full and fair examination of the impact upon competition of an alternative regulatory framework or treatment of the local exchange carrier community by the Department. On March 13, 1996, the Department approved a request by the Southern New England Telephone Company for alternative regulation in Docket No. 95-03-01, Application of The Southern New England Telephone Company for Financial Review and Proposed Framework for Alternative Regulation.

Equally essential to the achievement of effective competition as prescribed by Public Act 94-83 are dockets initiated by the Department to address the mandate of Conn. Gen. Stat. § 16-247b to unbundle "the noncompetitive and emerging competitive functions of a telecommunications company's local telecommunications network that are used to provide telecommunications services and which . . . are reasonably capable of being tariffed and offered as separate services." Docket No. 94-10-02, DPUC Investigation into the Unbundling of The Southern New England Telephone Company's Local Telecommunications Network (Final Decision issued September 22, 1995)¹; Docket No. 94-11-03, DPUC Investigation into the Unbundling of the New York Telephone Company's Local Telecommunications Network; and Docket No. 94-11-06, DPUC Investigation into the Unbundling of the Woodbury Telephone Company's Local Telecommunications Network.

Docket No. 95-06-17, Application of The Southern New England Telephone Company for Approval to Offer Unbundled Loops, Ports and Associated Interconnection Arrangements, Docket No. 95-11-08, Application of The Southern New England Telephone Company for Approval to Offer Interconnection Services and Other Related

¹ At the participants' request, the Department separated from Docket No. 94-10-02 the issue of mutual compensation between the Southern New England Telephone Company (Telco) and wireless carriers. That issue was considered in Docket No. 95-04-04, DPUC Investigation into Wireless Mutual Compensation Plans, in which a Final Decision was issued on September 22, 1995.

Items Associated with the Company's Local Exchange Access Tariff, and Docket No. 96-09-22, DPUC Investigation into the Southern New England Telephone Company Unbundled Loops, Ports and Associated Interconnection Arrangements and Universal Service Fund in Light of the Telecommunications Act of 1996, arose in consequence of the Department's Decision in Docket No. 94-10-02 regarding the unbundling of the Telco's local telecommunications network as well as in response to other implementation dockets wherein the Department issued Decisions concerning resale of the Telco local network. In its March 25, 1997 Decision in Docket No. 95-06-17, the Department established rates and charges for the Telco's wholesale local basic service offering and certain related features. In the July 17, 1996 Decision in Docket No. 95-11-08, the Department established rates and charges for certain network features, functions and specialized services associated with the Telco's Unbundling, Wholesale and Interconnection Tariff sought by CLECs to support their marketing efforts; specifically: trunk interconnection, E-911 system interconnection, Service Provider Local Number Portability, NXX administration, and directory customer guide service. In the April 23, 1997 Decision in Docket No. 96-09-22, the Department approved wholesale rates and charges for the Telco's unbundled loops, ports and associated interconnection arrangements offered only to CLECs for use in their respective retail service offerings.

As detailed above, much of the Department's implementation efforts have focused on ensuring that policies, rules and pricing standards applied to the Telco and its infrastructure are consistent with Public Act 94-83's mandate for an environment that fosters competition in the Connecticut telecommunications market. However, in Docket No. 94-10-04, DPUC Investigation into Participative Architecture Issues, the Department prescribed the scope and scale of responsibilities applicable to all new entrants to Connecticut's telecommunications markets in order that the Act's goals can and will be achieved.

The final phase of implementation of Public Act 94-83 involves the instant proceeding which the Department initiated to examine the financial, structural and operational impact on SNET and the telecommunications marketplace of broader competition and increased discretionary authority.

C. THE NEW TELECOMMUNICATIONS ENVIRONMENT IN CONNECTICUT

Public Act 94-83 challenged certain historical methods and principles of regulation that previously guided Department actions. Earlier statutory authority sought to maximize public benefit by authorizing only a single telecommunications service provider for any given market. The Department, therefore, was able to direct its attention solely at regulating the conduct of a single dominant service provider against a desired public standard of affordable and available telephone service. Under provisions in Public Act 94-83, the Department has faced an unprecedented task of managing the introduction of broader participation into the, heretofore, single-provider market without unduly risking the availability, accessibility, affordability and quality of basic telecommunications services to all Connecticut users.